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Foreign Trade Organization in Europe Since the War

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AMONG significant influences of the war is an increased respect for organization as a means of accomplishing desired ends in civil life, as well as in military operation. It was recognized, in a conflict in which there was call for the entire energy and resources of nations, that economic coöperation was as necessary as military organization; and continuous coöperation was only to be assured by more or less formal organization. In some cases, the necessary organization of industry was accomplished by direct government control; in other cases, by private organizations directed in varying measure by public authority. It was logical that, as thoughts of a post-war period began to assume importance in the minds occupied by war activity, organization should be regarded as the first step for the recovery and development of national, as well as international, production and distribution. Although action was sporadic in the early years of the war and in form the organization varied in different industrial countries, the end of the war saw a much greater similarity in organization methods and in ideas and opinions of nations concerning industrial combination than had existed before 1914.

The greatest change in opinion appears in England and in the United States, which were the most prominent industrial countries characterized by the English common law attitude of opposition to certain types of combinations which involved restraint of trade. English government committees and authorities adopted a position of

encouragement of trade and industrial organizations as a means of rehabilitating commerce and industry. The United States departed from its traditional attitude in passing the Webb Law, legalizing export combinations. The pre-war contrasts with Germany in this respect have largely disappeared.

The development of trade and industrial organization during and following the war, in so far as it affects foreign trade, may be broadly classified into government organizations, on the one hand, and private and semi-public organizations on the other. Government organization for foreign trade shows the greatest development in England, where the Board of Trade and the Foreign Office jointly formed the Department of Overseas Trade which combined a variety of promotional activities formerly decentralized. The general divisions—Empire Trades and Economic Division, Foreign Division, Exhibitions and Fairs Division, Export Credits Department—indicate roughly the broad scope of its work. Chiefly through the collection and dissemination of commercial intelligence concerning trade conditions and opportunities, the Department aims to develop British foreign trade.

GOVERNMENT ORGANIZATION FOR FOREIGN TRADE

In Germany, foreign trade matters were before the war handled in part by the Ministry of the Interior and in part by the Foreign Affairs Office. Efforts to bring about the establishment of a ministry dealing specifically with foreign trade were unsuccessful.

The government recognized, however, that the Ministry of the Interior combined too many functions; consequently, there was formed a new department called the Imperial Economic Office. The jurisdiction of this department in matters of commerce embraces questions of commercial policy and commercial treaties, war economic measures including retaliation, economic aspects of tariff and taxation, insurance, corporations, banks, stock exchanges, exhibitions and matters concerning conditions of production at home and abroad, general statistics, as well as statistics of trade with foreign countries.

In France the change in governmental organization has been one in activity, rather than in form. The French *Office National du Commerce Extérieur* was intended to aid French exporters and importers by means of commercial intelligence service and otherwise; but, prior to the war, little could be done because of inadequate support. Renewed interest in exports is responsible for increased appropriations and the correspondingly increased scope of its activities. Steps have been taken likewise by the Italian Ministry of Commerce to strengthen the central organization, in order to establish contact between the Department of Commercial Intelligence and industrial concerns. A Committee of Commercial Intelligence has been formed, the purpose being to coördinate commercial intelligence and the activities of the government with those institutes of similar purpose, the commercial attachés and the chambers of commerce abroad.

Supplementing these organizations are the semi-official commercial organizations of the chamber of commerce type. Great Britain has encouraged the establishment of chambers of commerce in foreign countries; and, since

the war, has brought it about that most of these are purely British and working for British interests. In France, reorganization of the domestic chambers of commerce according to the regional system has been carried out in the interests of greater efficiency. Individual chambers, such as the Paris and the Lyon organizations, have been active in promoting foreign trade. The presidents of the various chambers, with representatives chosen on the basis of one to each ten thousand members, form a central organization. Various chambers of commerce in Germany have taken an active interest in foreign trade. In all these countries, federations of chambers of commerce provide the means for greater uniformity of policy. Fairs and permanent exhibitions of national products in foreign markets are maintained by German, French and English bodies.

PRIVATE AND SEMI-PUBLIC ORGANIZATIONS

The private and semi-public organizations, dealing directly or indirectly with foreign trade, present a multiplicity of forms. Some of them are organized upon a territorial basis; for others, purpose is the organization basis. Many combinations deal with the interests of members of the particular industry or branch of industry. Distinction may be made between associations of the federation type, embracing numerous industries, and associations embracing individual industries or branches of an industry. A third group includes associations formed to promote commercial relations with individual foreign countries. Another class includes export trade associations; and the fifth group, associations formed for general purposes which have a bearing upon foreign trade. The last, but not least, important group comprises the various

industrial combinations, consolidations, trade associations, cartells, syndicates and the like.

Federations having large membership of firms and associations in various industries were created in England, Germany, France and other European countries during and after the war. The Federation of British Industries, a trade organization comprising some twenty thousand British manufacturing and producing firms, has taken an active part in the development of foreign trade interests of Great Britain, both by constructive criticism of governmental action and by establishing, on its own initiative, representation through trade commissions in various parts of the world, by conducting an information and advisory service for those engaged in export and import, and by taking an active part in the establishment of fairs and exhibitions.

GERMAN ASSOCIATIONS

The German federation, called the *Reichsverband der Deutschen Industrie*, is a consolidation of the two most powerful German industrial associations; namely, the *Zentral Verband der Deutschen Industriellen* and the *Bund der Industriellen*. Together, these represented nearly three hundred associations; the latter alone represented thirty-five thousand firms, through either its own membership or that of affiliated associations.

For two decades after its formation in 1876, the *Zentralverband* was spokesman of German manufacturing industries and has at all times been distinctly more protectionistic than the *Bund der Industriellen*; it has issued directories of export manufacturers and has encouraged participation in foreign expositions. War conditions brought the two associations into much closer contact than had existed pre-

viously. Nevertheless, it was impossible to bring about complete consolidation until after the Armistice. Meetings were held in the spring of 1919, and organization was agreed upon. As finally formed, the *Reichsverband* was to be governed ultimately by the members, but the chief work was to be done by the executive committee, for which the claim was made that it included a just, uniform and carefully considered representation of individual industrial interests and of individual industrial sections of Germany. Upon this committee, one hundred and forty members represent the various industrial associations; thirty members represent territorial associations. There are ten representatives of the individual enterprises, ten more chosen by the other members of the committee. The business management of the Imperial Association consists of not less than thirty, nor more than sixty persons. Among the special committees appointed are several which indicate the scope of its activity; namely, the committee on carrying out the economic provisions of the peace treaty, the committee on taxation, and the committee on economic policy. The Imperial Association is working hand in hand with the newly created Imperial Economic Office and with the Department of Foreign Affairs in the development of foreign trade relations.

FRENCH ASSOCIATIONS

There are two French federations. The most important is *L'Association National d'Expansion Economique*, formed December 15, 1915 under the auspices of the Paris Chamber of Commerce and comprising the important manufacturers, trade associations, insurance, banking, shipping and railway interests. According to official statement,

L'Association Nationale d'Expansion Economique is an organization for inquiry and action which will gather together without prejudice to their autonomy those persons and associations belonging to or interested in commerce, industry, and agriculture, to unite their efforts and coördinate their work. . . . It will assure common action in the national interest. To this end it will on the one hand make inquiries in France and abroad; and on the other it will stimulate, either directly or by encouragement, the creation of all institutions, organizations, or ententes tending to facilitate the fabrication, transport or sale of French products. It will call forth the establishment of new industries in France and the opening of new foreign markets.

Plans have been made to publish yearly an index of French production, which is intended to give a survey of the industries of France and of particular firms. Another association of the federation type, formed in the fall of 1919, is *La Fédération Générale de la Production Française*. The purpose of the latter syndicate is to increase French production and, consequently, export power. Among other countries, in which the general federation idea has been adopted, are Sweden, which has the Swedish Export Industries Central Council, and Finland, with the Finnish Export Association.

The important European countries furnish numerous examples of general associations intended to promote the interests of the members of a particular industry or trade. The chemical industries of France, Germany and England furnish examples; others are *Verein der Eisen und Stahl Industriellen* in Germany, the associations of machinery manufacturers and the associations in textile and leather trades in Germany and England. Of slightly different character are the associations of manufacturers in particular provinces and districts. Such bodies do

not attempt to influence terms of sale or selling methods. Many of them are keenly interested in foreign trade development, but they differ widely in scope and effectiveness; their work frequently includes representation of membership in tariff and commercial treaty matters, collection of statistics and publications in convenient form.

Before the war, Germany possessed a number of bodies created to promote commercial relations between Germany and individual foreign countries. The German-French Society, German-Russian Society, and the German-Argentinian Central Association are examples. In the main, these associations have continued to exist either in their original form or modified by consolidation for more effective effort, such as the union of the Argentine and Brazilian societies into a general German-South American Group. The federation of these societies, formed early in 1919 under the leadership of the chairman of the German-Argentinian Association, aims to keep these bodies in touch with each other; however, it will act only when the matter is of general interest and goes beyond the scope of an individual society. For somewhat different purposes was formed the German-British Economic Union for protecting Germans in business relations with Great Britain, the Colonies, Dominions and Protectorates.

For the trade and industry of Germany, its associations for maintaining and increasing the German spirit among German subjects residing abroad are also of great importance. There exist several associations of this sort; some of them of an educational character for the study of foreign lands, others for the maintenance of the connections between German subjects in different parts of the world. The place of these associations in Great

Britain is occupied chiefly by the British chambers of commerce in foreign countries and their affiliation with the domestic chamber of commerce system. Nevertheless, the Anglo-Danubian Association, formed recently for the purpose of promoting trade between the newer Austro-Hungarian secession states and Great Britain, indicates that need for such organization has been felt.

Associations dealing mainly with foreign trade interests show little change since the pre-war period; first, those formed to handle particular aspects of commercial relations with foreign countries or to undertake general propaganda have continued their existence. Germany furnishes the best examples of this type in the *Deutsch Weltwirtschaftlichegesellschaft*, the Association of German Import Trade and the Commercial Treaty Association. Associations of German exporters, such as the *Vereinigung der Exportfirmen, Berlin*, including the prominent export merchants of Berlin, similar Hamburg and other groups have recently been federated in the Union of German Exporters.

British exporters are attempting to secure relationship with various parts of the Empire by the development of such associations as the Canadian Association of British Manufacturers and Their Representatives. Membership in these associations is confined to British subjects, such as British manufacturers and wholesale exporters from the United Kingdom and their representatives.

French export merchants and representatives have also organized in the Syndical Chamber of Agents for Export Trade. The National Privy Council for Export Trade, the Chamber of Commerce for Export Trade, the Norman Committee of Encouragement for the Formation of French

Agents Abroad may be mentioned in passing.

PROMOTION OF FOREIGN TRADE BY INDUSTRIAL COMBINATIONS

Industrial combinations along familiar lines—pools, cartells, trusts, comptoirs, consolidations—are usually organized primarily for domestic trade; but, in the majority of cases, they have a keen interest in export trade, while in some cases they have been organized exclusively for development of foreign business. The general lines of development are much the same as in the pre-war period; but, as a result of the war, there has been a distinct increase in the number and importance of such combinations and their activities in foreign trade matters. The English Committee on Trusts, which reported in 1919, regarded the group of associations, in which a larger part of the manufacturers or operators of a certain branch combined for purposes of regulating sales, as much more significant than the numerous loose agreements. Associations regulating output are differentiated from pools; both of these are in turn to be distinguished from the more advanced organizations or consolidations called combines in England and syndicates (or cartells) in Germany and France.

As in America, the merger or consolidation in England has proceeded more rapidly because of the doubtful legal status of looser arrangements. The comparative freedom of German business men in the pre-war period to combine as they wished postponed to some extent the resort to merger or consolidation types; but, even prior to the war, the tendency in direction of consolidation is to be clearly perceived. In all of these countries there is a distinct movement toward integration of industry.

The selling syndicate, in which a

group of manufacturers contract to sell their output exclusively through the central sales office of the organization, presents the highest development of the combination short of merger or consolidation. These syndicates establish agencies in various countries to get foreign business; for instance, the French Comptoir for Exportation of Metallurgical Products has branches in Brazil, Argentina and China. The German coal, iron and steel syndicates of the pre-war period likewise maintained foreign branches for the sale of their products. They also gave export bounties to those domestic manufacturing consumers of their products who were engaged in export.

At the present time, the raw material situation in France and Germany compels the attention of industrial organizations generally. In both countries, efforts have been made with government assistance to centralize the purchases of essential materials, either through syndicates or otherwise, to prevent losses which might be suffered through competitive purchase. Selling organizations have generally had to accord a great deal of consideration to prices, due to depreciated currency and adverse exchanges. The Wire Export Company, Ltd., in Germany, the Shoe and Leather Export Association in England are typical of the combinations formed to handle exclusively the foreign business of members.

The Rhenish-Westphalian Coal Syndicate, the most powerful of the German pre-war syndicates, expired by limitation during the war and was extended only by pressure of government authority. Prices and deliveries of coal under present conditions in Germany are more than ever a matter of intense national interest, undoubtedly the reason for the compulsory organization of the Coal Economic Union, formed after the war for facil-

itating governmental regulation of the coal industry in the transition period. This, of course, detracts from the power and influence of the coal syndicate.

In the iron and steel industry the most powerful syndicate was the Steel Works Union, formed originally in 1904 and renewed from time to time. At the last renewal, in 1912, considerable difficulty was experienced because of the conflict of interests between integrated and non-integrated member firms, and the organization emerged with considerably less power than before. During the war, the syndicate was extended from time to time under pressure of the government, and its scope was extended to include sales of bar iron for which syndication had long been attempted. The syndicate was renewed provisionally on several occasions after the war, but was finally dissolved in May, 1920. Its place was taken in part by the Iron Economic Association, the nature of which was similar to that of the Coal Economic Association, and in part by a general organization of the steel trade called the *Stahlbund*.

In France there has been formed since the war the *Comptoir Siderurgique*, which includes all the French steel works and takes an active part in iron and steel exportation. In many directions its powers are less limited than those of its German counterpart. According to its articles, it need not confine itself to purchase and sales of various kinds of iron articles. It is also empowered to undertake exploitation of the industry and purchase of coal, iron ore and raw materials. The new combination embraces older combinations, which individually dealt with half-finished products, rails, beams and sheets. One of the members of the de Wendel concern was a member of the German combination at the time when Alsace-Lorraine was

considered German territory. Belgium has likewise recently formed a Steel Works Union of the German type. Limitation of space forbids more than mention of the combinations in textile, machinery, ceramic, leather and other trades.

The war seems to have given the development of merger and consolidation a marked impetus, although no new types have developed. Resistance to amalgamation, because it involved loss of autonomy and frequently loss of identity, has apparently been much decreased. The control of metal markets, formerly in German possession through the *Metall-Gesellschaft*, is to be contested by the *Société des Metaux* in France and the British Metals Corporation. The "Amalgamated Industrials," organized in the United Kingdom in 1919, is a prominent example of the holding corporation form of organization, controlling shipping, iron and coal and cotton companies. Chemical manufacturers of France have amalgamated. The British have formed the British Dyestuffs Corporation, in order to meet the competition of the highly organized German dyestuffs industry. The explosives branch is controlled by powerful mergers, both in England and in Germany. Merger and consolidation, frequently with intent to increase degree of integration, have shown unrelenting progress in the coal, iron, metal finishing and engineering trades in important producing countries. Under the leadership of powerful German industrial leaders, notably Hugo Stinnes, August Thyssen and the Stumms, the vertical combination, based on long-term con-

tracts, mergers and fusions, has become the most significant type in the German heavy industries. Glass, tools, textiles are other lines in which we find prominent fusions in two or more of the industrially important European countries.

International cartells have generally succumbed to the war. The proposal to revive the international rail agreement between England, Germany, France and the United States for division of foreign trade has not been received with favor in Germany and France. The international plate glass cartell, one of the most closely organized international cartells, has likewise fallen to pieces with no immediate prospect of renewal.

CONCLUSION

It is as yet too early to judge as to the effectiveness of the various types of organization in reëstablishing foreign trade, and a fair appraisal can not be made without consideration of the progress of banking and shipping organization. There can be no doubt that organizations of merchants and traders are much more active and are receiving much more support in all progressive countries than before the war. To the student of industrial combination, it seems that the war brought changes in emphasis, looser organizations being displaced by stricter and more comprehensive forms. No distinctly new form has been developed; but, in the future, the similarity of development in different countries should render it possible to make broad and thorough comparisons of all types.